CPP ANNUAL USE OF CAPITAL SURVEY - 2011

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Virginia Commerce Bancorp, Inc.

Point of Contact:	Mark S. Merrill	RSSD: (For Bank Holding Companies)	2856377
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CPP/CDCI Funds Received:	71,000,000	FDIC Certificate Number: (For Depository Institutions)	27249
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	N/A
Date Funded (first funding):	December 12, 2008	City:	Arlington
Date Repaid[1]:	N/A	State:	Virginia

[1]If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

X **Increase lending or reduce lending less than otherwise would have occurred.**

Net loans in 2011 decreased by $29 million, representing a pattern of run-off as the Bank continued to reposition the loan portfolio for greater diversification in specific loan classifications. In 2011, the Bank funded $289 million in new loans and renewed $631 million of matured loans.

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X **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

During 2011, the Bank funded $289 million in new loans as follows: $101 million in commercial real estate, $44 million in 1-4 family mortgages, $37 million in RE construction loans, $90 million in commercial and industrial loans, and $17 million in multi-family and consumer loans.

X **Increase securities purchased (ABS, MBS, etc.).**

As a result in excess liquidity combined with less loan demand than anticipated, the Company increased the book value of it securities purchased by $203 million in 2011. The security purchases were predominately short term U.S. Government Agency obligations.

☐ **Make other investments.**

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☐ **Increase reserves for non-performing assets.**

☐ **Reduce borrowings.**

☒ **Increase charge-offs.**

The CPP funds received in 2008 allowed the Bank to absorb much higher provision for loan losses than was necessary during 2011. The Bank recorded loan loss provision of $15 million, $21 million, and $82 million in 2011, 2010, and 2009, respectively.

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☐ **Purchase another financial institution or purchase assets from another financial institution.**

X **Held as non-leveraged increase to total capital.**

Consistent with prior years, the Bank has not leveraged the CPP funds, but has held them contributing to regulatory capital ratios that have consistently been significantly above the "well-capitalized" regulatory levels.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

By receiving the CPP funds the Company was able to avoid increasing capital through a more expensive alternative, and/or selling branches and assets to increase regulatory capital ratios by shrinking the balance sheet. The Bank was able to avoid reducing the level of core banking services to our customers. Our core banking model involves providing credit worthy loans and gathering deposits from in-market customers. As supported by an increase in loan funding of $77 million, or 36%, during 2011, the CPP funds contributed to the Bank avoiding a reduction in credit availability to its customers and prospects.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

The Bank was able to continue to grow by providing available credit to in-market customers and gather in-market deposits at competitive rates. The CPP funds also allowed the Bank to immediately address its problem loan credits and pave the way for increased loan funding and deposit gathering in 2010 and 2011. As a result, the Company's net income increased $5 million from $17 million in 2010 to $23 million in 2011.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

We have been able to aggressively recruit lending staff and successfully hired three full time lenders during the year.